What is the Liberalised Remittance Scheme (LRS)? A Complete Guide for Indian Residents in 2026

International investing, overseas education, foreign travel, medical treatment, and other global financial activities have become increasingly accessible to Indian residents. However, sending money from India to another country is governed by foreign-exchange regulations.

One of the most important frameworks for individuals is the **Liberalised Remittance Scheme (LRS)** introduced by the Reserve Bank of India (RBI).

Under LRS, eligible resident individuals can remit money abroad for permitted purposes, subject to prescribed limits and applicable tax and documentation requirements.

In this guide, we explain what LRS is, who can use it, the annual limit, permitted purposes, tax implications, and important points investors should know.

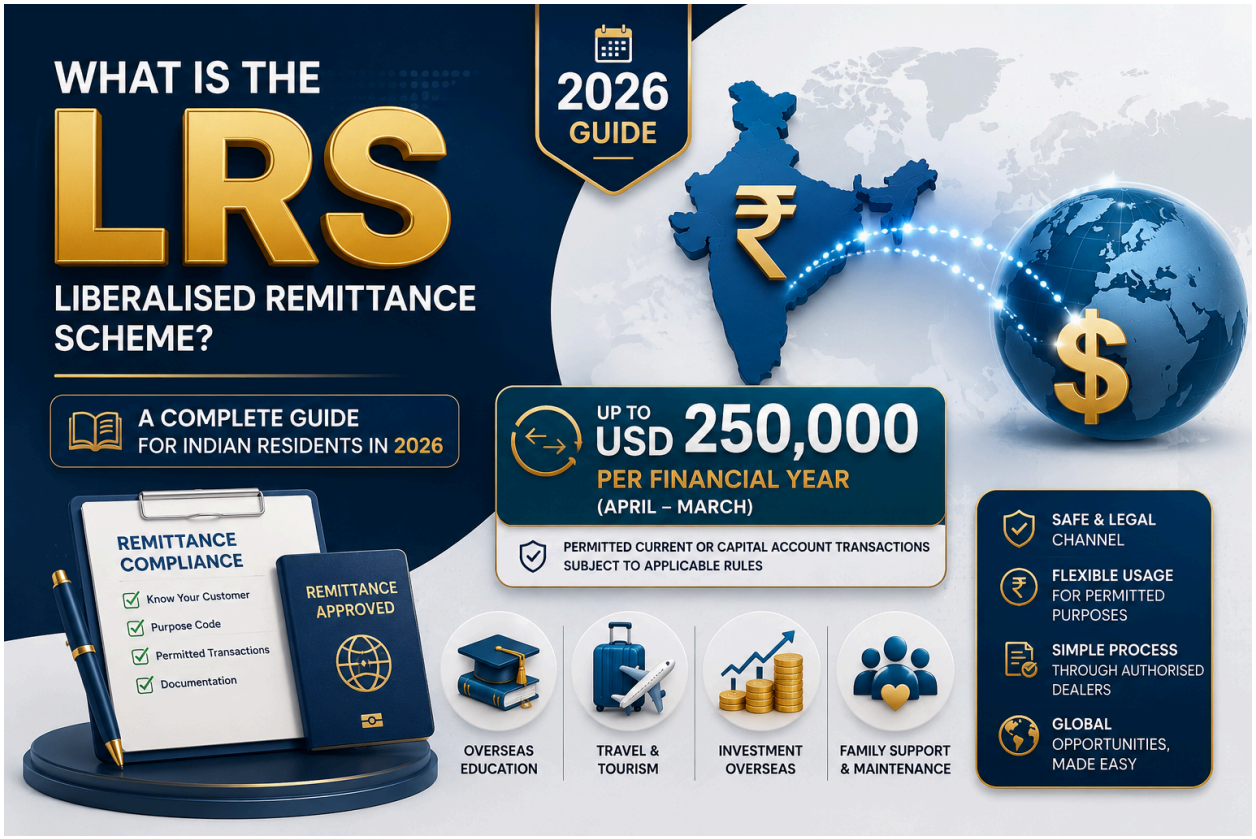
What is the Liberalised Remittance Scheme (LRS)?

The **Liberalised Remittance Scheme (LRS)** is a facility provided by the Reserve Bank of India that allows resident individuals to remit a specified amount of foreign currency outside India during a financial year for permitted transactions.

The scheme operates under the Foreign Exchange Management Act (FEMA) framework.

The current standard LRS limit is **USD 250,000 per resident individual per financial year**, subject to the applicable rules and exceptions.

For example, if an eligible resident individual wants to send money abroad for overseas education, an international investment, or certain personal expenses, the remittance may be made through an authorised dealer bank under the LRS framework.



Who Can Use LRS?

The LRS facility is available to **resident individuals in India**, including minors, subject to the applicable conditions.

It is important to understand that LRS is an individual-level facility. The permitted limit applies to the individual and the aggregate of eligible remittances during the financial year.

Family members may also make remittances separately if they independently satisfy the requirements of the scheme.

Companies, partnership firms, Hindu Undivided Families (HUFs), trusts and other entities do not use LRS in the same manner as resident individuals.

What is the LRS Limit?

The standard LRS limit is:

USD 250,000 per resident individual per financial year

The limit applies to the aggregate of eligible remittances made during the financial year.

For example, suppose an individual remits:

- USD 50,000 for overseas education
- USD 25,000 for an overseas investment
- USD 10,000 for a permitted personal expense

The total LRS utilisation would be USD 85,000 for that financial year.

The remaining available amount, subject to applicable rules, would be USD 165,000.

Certain purposes can have specific regulatory provisions or exceptions, so individuals should check the latest RBI rules before making a large remittance.

What Can LRS Be Used For?

LRS can be used for several permitted purposes, including:

1. Overseas Education

Residents can use LRS for eligible expenses related to studying abroad.

This can include payments connected with tuition fees and other permitted educational expenses.

2. Medical Treatment Abroad

LRS can be used for eligible expenses related to medical treatment or health-related purposes outside India.

3. Overseas Travel

Resident individuals can remit money for permitted private travel and certain business-related travel expenses.

4. Gifts and Donations

Eligible individuals can make permitted gifts or donations to persons or organisations outside India within the applicable LRS framework.

5. Maintenance of Relatives Abroad

Money can be remitted for the maintenance of close relatives living abroad, subject to applicable regulations.

6. Overseas Investments

One of the important uses of LRS is making certain permitted investments outside India.

Depending on the applicable rules, residents may use the facility for eligible investments in foreign securities and other permitted assets.

The RBI framework has historically allowed resident individuals to invest in securities such as mutual fund units and certain other permitted instruments under LRS.

Can You Invest Abroad Through LRS?

Yes. LRS can provide a route for eligible resident individuals to make permitted overseas investments.

For example, an Indian resident may want to diversify part of their portfolio by investing in eligible foreign securities.

However, overseas investment through LRS is not the same as simply transferring money to a foreign account. The investment must comply with applicable FEMA, RBI, tax and other regulatory requirements.

Before investing internationally, investors should understand:

- The nature of the foreign asset
- Applicable overseas investment rules
- Tax treatment in India
- Foreign tax implications
- Currency risk
- Brokerage and transaction costs
- Reporting requirements

LRS and Tax Collected at Source (TCS)

Tax Collected at Source, commonly known as **TCS**, is an important consideration when making certain LRS remittances.

The tax rules applicable to LRS have changed over time, so investors should not rely on older articles or outdated rates.

For remittances made on or after **1 April 2026**, the Income Tax Act, 2025 and the applicable rules govern the TCS framework. The Income Tax Department has also specified that TCS provisions transition to the new Act from this date.

The Finance Bill 2026 proposed reducing the TCS rate for LRS remittances made for **education or medical treatment** from 5% to **2%**.

Because TCS rates and thresholds can change, taxpayers should verify the applicable rate at the time of remittance.

Is TCS an Additional Tax?

TCS should not automatically be viewed as an additional final tax liability.

It is generally a tax collection mechanism, and the amount collected may be available as tax credit to the taxpayer, subject to the applicable income-tax rules.

Therefore, investors should distinguish between:

TCS collected at the time of remittance and **the final income-tax liability**.

What Documents Are Required for LRS?

The exact documentation can vary depending on the purpose of the remittance, amount, bank and applicable regulations.

Generally, an authorised dealer bank may require information such as:

- PAN and KYC details
- Bank account information
- Purpose of remittance
- Details of the beneficiary
- Relevant declarations or forms
- Supporting documents for education, medical or other specific purposes

For certain foreign remittances, tax-related reporting requirements may also apply.

The Income Tax Department introduced new **Form 145** under the Income Tax Act, 2025 to replace the earlier Form 15CA for specified foreign payments. Form 146 may also be required in applicable cases.

LRS vs Foreign Currency Account

LRS can also be used in connection with eligible foreign-currency accounts maintained abroad.

RBI guidance has permitted resident individuals to open and maintain certain foreign currency accounts abroad for transactions connected with eligible LRS remittances, subject to applicable conditions.

This can be useful for individuals who regularly have legitimate international expenses or investments.

What Are the Benefits of LRS?

Global Investment Opportunities

LRS can provide eligible Indian residents with access to permitted international investment opportunities.

Overseas Education

Parents and students can use the framework to meet eligible education-related expenses abroad.

International Diversification

Investors can potentially diversify their financial assets geographically, subject to applicable investment regulations.

Easier International Transactions

The scheme provides a structured regulatory framework for eligible individuals to transfer money abroad.

Flexibility

The permitted purposes cover several personal, educational, medical, travel and investment-related transactions.

Important Limitations of LRS

Although LRS provides significant flexibility, it is not an unrestricted facility.

Before making a remittance, investors should consider:

1. **Annual limit:** The standard aggregate limit is USD 250,000 per individual per financial year.
2. **Purpose restrictions:** The remittance must be for a permitted purpose.
3. **Tax compliance:** TCS and other applicable tax requirements may apply.
4. **Documentation:** Banks may request supporting documents and declarations.
5. **Investment regulations:** Overseas investments must comply with applicable FEMA and RBI rules.
6. **Currency risk:** Changes in exchange rates can affect the value of overseas investments.
7. **Foreign taxation:** Income earned from foreign investments may have tax implications in the foreign country as well as India.

LRS Example

Consider an Indian resident who wants to invest ₹20 lakh in eligible overseas assets.

The investor approaches an authorised dealer bank and completes the required KYC, documentation and tax formalities.

The bank converts the required amount into the relevant foreign currency and remits the funds abroad.

The transaction is counted toward the investor's LRS limit for that financial year.

If the investor later makes another eligible overseas remittance, the previous remittance must be considered when calculating the remaining annual LRS limit.

This is why investors should maintain a record of all LRS transactions during the financial year.

LRS for Indian Investors: What Should You Remember?

For investors considering international opportunities, LRS can be an important mechanism for moving funds from India to overseas markets legally and systematically.

However, investors should not look at the LRS limit alone. They should also consider taxation, overseas investment regulations, currency fluctuations, transaction costs and reporting requirements.

Before making a significant overseas remittance, it is advisable to verify the latest RBI and Income Tax Department rules and consult a qualified tax professional or authorised dealer where necessary.

Frequently Asked Questions About LRS

1. What is the LRS limit in India?

The standard LRS limit is **USD 250,000 per resident individual per financial year**, subject to applicable regulations and exceptions.

2. Can I use LRS to invest in foreign stocks?

Eligible resident individuals may use LRS for permitted overseas investments, subject to applicable FEMA, RBI and tax regulations.

3. Can minors use LRS?

Yes. RBI guidance states that the facility is available to resident individuals, including minors, subject to the applicable conditions.

4. Is TCS applicable to LRS?

TCS may apply to specified LRS remittances. The applicable thresholds and rates depend on the purpose and the tax rules in force at the time of remittance. For transactions on or after 1 April 2026, the Income Tax Act, 2025 framework applies.

5. Can LRS be used for overseas education?

Yes. Overseas education is one of the permitted purposes under the LRS framework, subject to applicable limits and requirements.

6. Is LRS the same as an overseas investment account?

No. LRS is a regulatory framework that permits eligible resident individuals to remit funds abroad for specified purposes. An overseas brokerage or investment account is a separate financial arrangement and must comply with applicable laws.

Final Takeaway

The **Liberalised Remittance Scheme (LRS)** makes it possible for eligible resident individuals in India to send money abroad for several permitted purposes, including education, medical treatment, travel, gifts and certain overseas investments.

With a standard annual limit of **USD 250,000**, LRS can be particularly relevant for Indians planning international education, global investments or other legitimate overseas financial transactions.

However, international remittances involve more than simply transferring money. **RBI regulations, FEMA requirements, taxation, TCS, documentation and overseas tax rules** should all be considered before making a significant transaction.

Disclaimer: This article is for educational and informational purposes only and should not be considered financial, tax or legal advice. LRS, tax rates, thresholds and reporting requirements may change. Always verify the latest RBI and Income Tax Department rules or consult a qualified professional before making an overseas remittance.